B 5350-2

RECEIVED

FINANCIAL DIGEST

MONDAY, DECEMBER 17, 1979 VOLUME XVI, NUMBER 50

GASOLINE RATIONING . . .

In response to the continued threats to oil availability, the Administration has just proposed a series of measures designed to curtail energy consumption in general, and gasoline in particular. However, one of the proposed measures—standby gasoline rationing—has evoked criticism from both consumers and state officials alike, who object not only to the federally-mandated consumption targets, but also to the complicated and costly rules under which the program would be administered.

It should be noted that oil and gasoline consumption has already declined sharply since the first big jump in prices commencing late in 1973. This trend is in sharp contrast to developments in Western Europe and Japan, where current consumption is above even 1978 levels.

The six percent drop in U.S. oil consumption registered during the past three months compared with year-earlier levels is indicative of both the increasing energy efficiency of the U.S. economy and changing consumer habits. Before 1973, growth in consumption of oil in the U.S. generally outpaced the growth of the economy. In other words—each one percent rise in the real gross national product triggered a 1.3 percent rise in oil consumption. During the past six years, however, this pattern has been completely reversed. Oil consumption now is *below* 1973 levels—despite a 15 percent rise in the real GNP.

In particular, the demand for motor gasoline has declined significantly, reflecting skyrocketing prices, growing usage of smaller, more fuel-efficient automobiles and less auto travel. Demand for gasoline usually declines after the peak summer driving season, but consumption during November, 1979 also fell ten percent below year-earlier levels. Moreover, one percent less gasoline is being used today than in November, 1973—despite an increase of 20 percent in the number of vehicles on the road.

The steep drop in home heating oil consumption is even more noteworthy. Whereas the U.S. consumer had been expected to curtail discretionary driving as prices rose, it had long been felt that home heating oil demand would not be as sensitive to price changes. However, actual deliveries of heating oil in some of the coldest states have declined by as much as 50 percent compared with last year. And this is with weather not significantly milder than normal in most of the country. This shows that people are conserving in response to the jump in heating oil prices—which have about doubled over the past year. Consumers are insulating and weather-stripping their homes, installing storm windows, putting on extra sweaters—and even switching to other fuels.

. . . IS NOT THE ANSWER

If these adjustments have occurred despite lingering price controls and a tax policy that continues to discourage domestic exploration, think of what could happen if prices of petroleum were completely deregulated and the marketplace allowed to determine energy sources and uses. Plainly, non-price solutions such as those proposed by Washington cannot be as productive as reliance on the price mechanism to balance demand and supply.

Perhaps the best indication that the marketplace is a better determinant of our country's needs than Washington is the confusion that has developed over November's retail sales statistics. In the face of a 17 percent drop in unit automobile sales in November compared with October, which translated into a seasonally adjusted decline of one percent, the Commerce Department reports that the dollar volume of auto sales last month rose by 3.6 percent compared with the previous month. If this were a period of rapidly rising automobile prices, such a disparity could be explained. However, the 1980 models got off to a poor start, and if anything, Detroit has been cutting prices via rebates to spur sales.

Thus, some downward revisions in the dollar auto sales figures might be in store—as has been the case many times before with the statistics that Washington releases. If for no other reason than this, the government would be wise to intervene less in the marketplace, since the data upon which such intervention is based are so imprecise.

SELECTED FEDERAL RESERVE DATA

(Weekly Averages of Daily Figures – Millions of Dollars)

	Week Ending 12/12/79	Change Since Week Ago	Change Since Year Ago
Reserve Bank Credit:			
U.S. Gov'ts and Agencies Owned Outright & RPs	125,195	— 675	+ 9,686
Member Bank Borrowings	1,291	— 528	— 697
Float	6,658	+1,621	— 407
Total Reserve Bank Credit	138,552	+ 675	+12,793
Treasury Deposits with Federal Reserve Banks	3,093	+ 498	+ 973
Currency Outside Banks	111,264	+ 46	+ 9,251
Member Bank Reserves:			
Required	43,082	— 297	+ 1,941
Excess (Deficiency)	615	+ 380	+ 649
Total Reserves Held	43,697	+ 83	+ 2,590
Net Borrowed Reserves	596	— 888	+ 100
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	77,648	+1,646	—15,825

r-Revised

	12/5/79		
Money Supply ($ Bil., SA) M1	379.1	+ 0.3	+5.2%
Money Supply ($ Bil., SA) M2	944.9	+ 1.1	+8.0%

NEW YORK MONEY MARKET

Offering Rates 12/14/79	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	12.22%	11.86%	10.86%
*Federal Agencies	13.14	13.40	12.17
*Project Notes—Tax Free (46% Taxable Equivalent)	10.92	10.92	n.a.
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
*Secondary Market—Prime	14.00	13.80	

‡Finance Company Paper—Prime	
5- 14 days	13.25%
15- 29 days	13.50
30- 59 days	13.65
60- 89 days	12.75
90-179 days	11.75
180-239 days	12.00
240-270 days	10.00

‡Industrial Paper—Prime	
30- 89 days	13.63%
90-120 days	13.80

‡*Bankers' Acceptances	
Jan.	13.25%
Feb.	13.25
Mar.	13.40
Apr.	13.25
May	13.20
June	12.90

†Federal Funds Effective Rate 13.90%

‡Discount Basis. *Subject to Availability. †Estimated.

SELECTED BUSINESS INDICATORS

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	3rd Q'79	$ 2,395	$ 2,330	$ 2,160
Gross National Product (1972 Dollars)*	3rd Q'79	$ 1,434	$ 1,422	$ 1,407
Percent Change, Annual Rate	3rd Q'79	3.4%	—2.3%	3.5%
Change in Consumer Prices (all urban consumers)*	Oct. '79	12.0%	13.2%	9.6%
Change in Producer Prices*	Nov. '79	15.6%	12.0%	8.4%
Civilian Employment (Thousands of Persons)†	Nov. '79	97,646	97,293	97,751
Unemployment as % of Civilian Labor Force†	Nov. '79	5.8%	6.0%	5.8%
Personal Income*	Oct. '79	$ 1,975	$ 1,959	$ 1,781
Leading Indicators Composite Index (1967=100)†	Nov. '79	138.8	140.1	143.6
Industrial Production Index (1967=100)†	Oct. '79	152.5	152.3	149.7
Net Change in Consumer Instalment Credit†	Oct. '79	$ 2.19	$ 4.45	$ 3.38
U.S. Merchandise Trade Balance†	Oct. '79	—$ 2.02	—$ 2.83	—$ 1.95
Plant and Equipment Expenditures*	1st Q'80	$189.32(a)	$184.32(a)	$165.94
Private Housing Starts (Thousands of Units)*	Oct. '79	1,760	1,911	2,054
New Construction Expenditures*	Oct. '79	$ 236.0	$ 234.6	$ 217.8
Total Business Inventories†	Oct. '79n	$ 421.6	$ 417.3	$ 372.4
Total Business Sales†	Oct. '79n	$ 299.0	$ 296.4	$ 266.7

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. a-Anticipated.

SHORT TERM PAPER OUTSTANDING

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CDs Weekly Reporting Banks			
Nationwide (12/5/79)	93,685	+ 335	— 1,689
New York City (12/12/79)	20,110	— 83	— 9,318
Commercial Paper (12/5/79)	110,197	—1,096	+27,464

BANK LOANS

(Millions of Dollars)

Weekly Reporting Large Commercial Banks	Commercial and Industrial Loans Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/5/79)	152,378	+1,372	+21,380
New York City (12/12/79)	45,373	— 225	+ 6,809

	Total Loans Gross Adjusted Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (12/5/79)	389,857	+4,204	+50,495
New York City (12/12/79)	87,155	—1,428	+ 9,194

SECURITY MARKETS

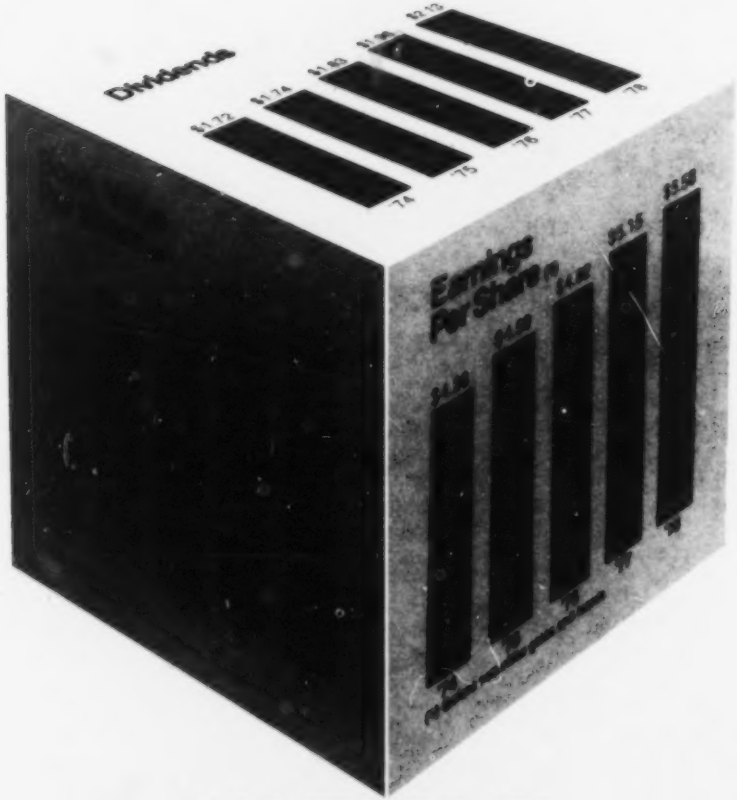
	Friday 12/14/79	Change Since Week Ago	Change Since Year Ago
U. S. Governments, Closing Bid Prices:			
90-Day Bills (Discount Basis)	12.26%	+ .30	+ 3.19
180-Day Bills (Discount Basis)	11.90	+ .17	+ 2.53
Longest Bills (Discount Basis)	10.94	+ .13	+ 1.55
12⅛s 11/30/81	101.5	— 13/32	
11⅝s 5/15/83	102.30	— 15/32	
10¾s 11/15/89	101.23	—1-3/32	
10⅛s 11/15/94	97.28	—1-14/32	
10⅜s 11/15/09	101.19	—1-21/32	
Municipals:			
Bond Buyer—20 Bond Index* (12/13/79)	7.26%	+ .09	+ .81
Blue List Total ($ Million)	$ 992	+$ 224	—$ 49
30-Day Visible Supply ($ Million)	$ 964	—$ 83	+$ 168
Total	$1,956	+$ 141	+$ 119
Corporates:			
Moody's Aa Composite (12/13/79)	11.08%	— .01	+ 1.82
Money Mgr.—30-Day Supply ($ Million)	$1,256	+$ 437	+$ 983
Stocks:			
Dow-Jones Averages			
Industrials	842.95	+ 9.56	+ 37.40
Transportation	254.24	— 0.05	+ 44.90
Utilities	109.47	+ 1.28	+ 10.28
65 Stocks	301.11	+ 2.45	+ 27.43
Standard and Poor's 500 Stocks	108.92	+ 1.40	+ 13.59
N.Y.S.E. Composite Index	62.35	+ 0.79	+ 9.04
N.Y.S.E. Avg. Daily Vol. for Week (000's)	36,328	— 82	+14,284

***46% Taxable Equivalent 13.44%**

INTERNATIONAL RATES

	Friday 12/14/79	Week Ago
EURODOLLAR DEPOSIT RATES (bid)		
Overnight	14.13%	13.00%
1 month	14.75	13.75
3 months	14.88	14.00
6 months	14.38	13.56
1 year	13.13	12.38
EURODOLLAR BONDS Average Yield		
Medium Term (5 to 7 yrs.)	11.55%	11.40%
Long Term (10 to 15 yrs.)	11.45	11.45
FOREIGN EXCHANGE SPOT RATES New York Opening (in dollars)		
Belgium	.03534	.03498
Canada	.8504	.8611
France	.2449	.2423
Germany	.5743	.5697
Italy	.001229	.001219
Japan	.004137	.004177
Mexico	.04382	.04380
Netherlands	.5207	.5140
Switzerland	.6209	.6167
U.K.	2.1973	2.1685

MANUFACTURERS HANOVER.



SOLID VALUE.

The $48-billion Manufacturers Hanover Corporation is a worldwide diversified multi-bank holding company, whose shares are listed on the New York and London stock exchanges. For a copy of our latest financial information, call or write H. Peers Brewer, Vice President, Investor Relations, at 350 Park Avenue, New York, N.Y. 10022. Tel: (212) 350-3378.

MANUFACTURERS HANOVER CORPORATION H